

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Woodward-Granger Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 election)		
Max Phillips	President	2005
Lance Kooiker	Vice President	2005
Jim Gibson	Board Member	2007
Howard Schutt	Board Member	2007
Jane Sweeney	Board Member	2006
Board of Education		
(After September 2005 election)		
Lance Kooiker	President	2008
Howard Schutt	Vice President	2007
Max Phillips	Board Member (Resigned)	2008
Jim Gibson	Board Member	2007
Jane Sweeney	Board Member	2006
Mark Roberts	Board Member (Appointed)	2006
School Officials		
Jody Gray	Superintendent	2006
Debbie Barron	District Secretary/Treasurer and Business Manager	2006
Ahlers Law Firm	Attorney	2006

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Woodward-Granger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodward-Granger Community School District, Woodward, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodward-Granger Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

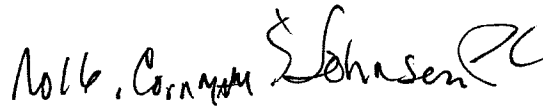
In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2006 on our consideration of the Woodward-Granger Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Woodward-Granger Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

October 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodward-Granger Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,871,392 in fiscal 2005 to \$8,106,655 in fiscal 2006, while General Fund expenditures increased from \$7,621,498 in fiscal 2005 to \$8,192,513 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$201,848 in fiscal 2005 to \$116,715 in fiscal 2006, a 42.2% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase state and federal grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased heating and busing costs, as well as additional costs associated with the Woodward Academy.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$42,439 in fiscal year 2005 to \$93,949 in fiscal year 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Woodward-Granger Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Woodward-Granger Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Woodward-Granger Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

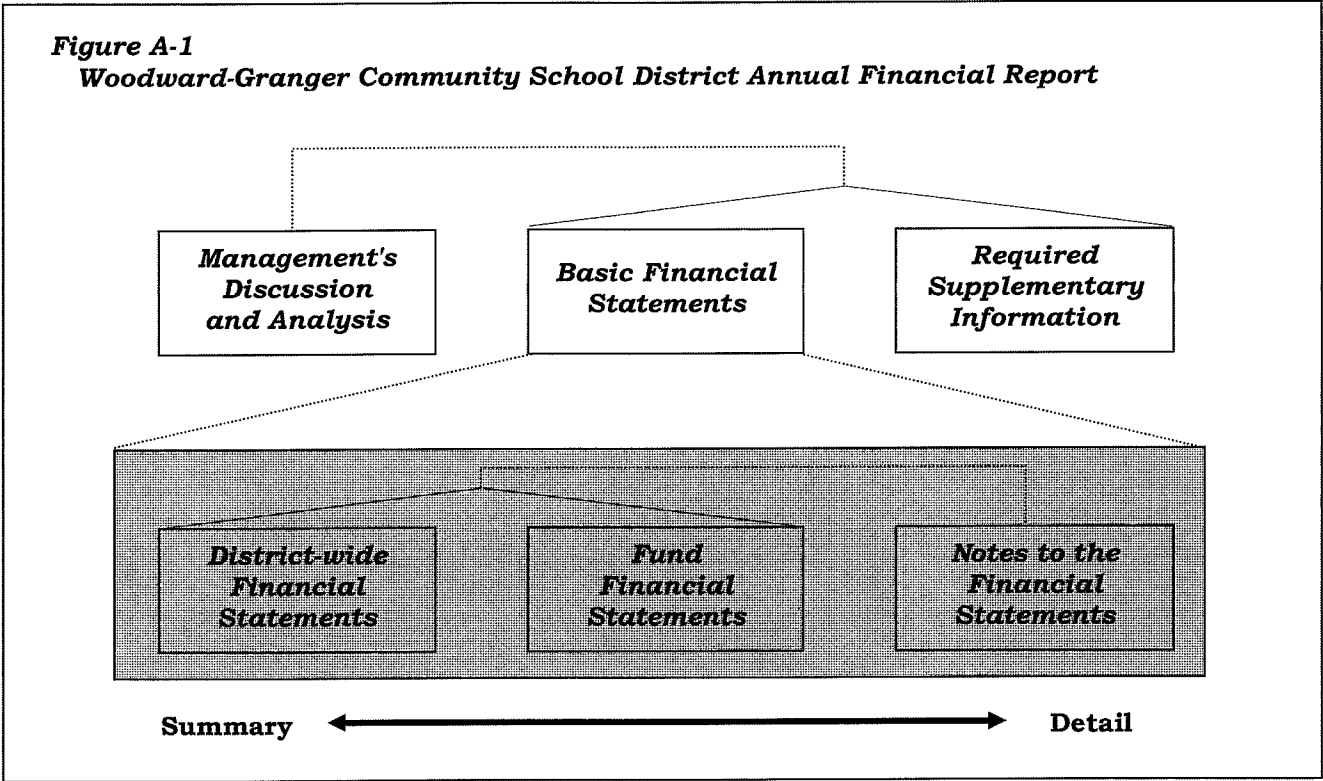


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.
 - *Agency Fund* – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 6,778,737	7,515,993	2,466	5,786	6,781,203	7,521,779	-9.85%
Capital assets	6,270,697	4,997,188	84,122	13,554	6,354,819	5,010,742	26.82%
Total assets	13,049,434	12,513,181	86,588	19,340	13,136,022	12,532,521	4.82%
Long-term obligations	4,140,254	4,387,875	0	0	4,140,254	4,387,875	-5.64%
Other liabilities	5,579,480	5,014,615	66,875	59,256	5,646,355	5,073,871	11.28%
Total liabilities	9,719,734	9,402,490	66,875	59,256	9,786,609	9,461,746	3.43%
Net assets:							
Invested in capital assets, net of related debt	2,971,088	1,679,152	84,122	13,554	3,055,210	1,692,706	80.49%
Restricted	216,129	1,178,595	0	0	216,129	1,178,595	-81.66%
Unrestricted	142,483	252,945	(64,409)	(53,470)	78,074	199,475	-60.86%
Total net assets	\$ 3,329,700	3,110,692	19,713	(39,916)	3,349,413	3,070,776	9.07%

The District's combined net assets increased by 9.07%, or \$278,637, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$962,466, or 81.66% over the prior year. The decrease was primarily a result of the decrease in the Capital Projects Fund due to the construction costs for the Woodward Elementary addition and renovation.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$121,401, or 60.86%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance and a reduction in early retirement liabilities.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 2,606,537	2,596,084	174,237	171,540	2,780,774	2,767,624	0.48%
Operating grants and contributions and restricted interest	958,412	769,495	75,821	61,478	1,034,233	830,973	24.46%
Capital grants and contributions and restricted interest	3,418	6,090	0	0	3,418	6,090	-43.88%
General revenues:							
Property tax	2,521,679	2,469,666	0	0	2,521,679	2,469,666	2.11%
Local option sales and service tax	449,133	400,716	0	0	449,133	400,716	12.08%
Unrestricted state grants	2,637,747	2,630,494	0	0	2,637,747	2,630,494	0.28%
Other	129,390	122,127	0	0	129,390	122,127	5.95%
Total revenues	9,306,316	8,994,672	250,058	233,018	9,556,374	9,227,690	3.56%
Program expenses:							
Governmental activities:							
Instructional	6,169,184	6,028,775	0	0	6,169,184	6,028,775	2.33%
Support services	2,310,122	1,761,644	0	0	2,310,122	1,761,644	31.13%
Non-instructional programs	0	0	269,789	249,963	269,789	249,963	7.93%
Other expenses	608,002	621,120	0	0	608,002	621,120	-2.11%
Total expenses	9,087,308	8,411,539	269,789	249,963	9,357,097	8,661,502	8.03%
Changes in net assets before other financing sources	219,008	583,133	(19,731)	(16,945)	199,277	566,188	-64.80%
Other financing sources, net	0	22,653	79,360	3,650	79,360	26,303	201.71%
Change in net assets	219,008	605,786	59,629	(13,295)	278,637	592,491	-52.97%
Net assets beginning of year	3,110,692	2,504,906	(39,916)	(26,621)	3,070,776	2,478,285	23.91%
Net assets end of year	\$ 3,329,700	3,110,692	19,713	(39,916)	3,349,413	3,070,776	9.07%

In fiscal 2006, property tax and unrestricted state grants account for 55.4% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$9.56 million of which \$9.31 million was for governmental activities and \$.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.56% in revenues and an 8.03% increase in expenses. The increase in expenses was related to the increase in support services costs during the year.

Governmental Activities

Revenues for governmental activities were \$9,306,316 and expenses were \$9,087,308.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,169,184	2,852,093
Support services	2,310,122	2,268,482
Other expenses	608,002	398,366
Totals	<u>\$ 9,087,308</u>	<u>5,518,941</u>

- The cost financed by users of the District's programs was \$2,606,537.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$961,830.
- The net cost of governmental activities was financed with \$2,521,679 in property tax, \$449,133 in local option sales and services tax, \$2,637,747 in unrestricted state grants, and \$124,876 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$250,058 and expenses were \$269,789. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Woodward-Granger Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$991,959, compared to last year's ending fund balances of \$2,302,273. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is construction on Woodward Elementary.

Governmental Fund Highlights

- The District's General Fund financial position improvement from a \$201,848 to \$116,715 is the product of many factors:
 - Increases in state and federal grant revenues during the year resulted in an increase in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The increase in revenues was less than the increase in expenditures, resulting in a net decrease of \$85,133.

- The Capital Projects Fund balance decreased from \$1,809,614 in fiscal 2005 to \$469,372 in fiscal 2006. During the year, the District continued construction on the renovations and addition project at Woodward Elementary.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$39,916 at June 30, 2005 to a positive \$19,713 at June 30, 2006, representing an increase of 149%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$809,620 more than budgeted revenues, a variance of 9.3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

In spite of the District's budgetary practices, the certified budget was exceeded in all of the functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$160,233.

The original cost of the District's capital assets was \$8.86 million. Governmental funds account for \$8.73 million with the remainder of \$.13 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,084,154 at June 30, 2006, compared to \$1,731,185 reported at June 30, 2005. This increase resulted from the capital improvements paid by the District on the Woodward Elementary project, but not completed at year-end.

Figure A-6
Capital Assets, Net of Depreciation

	Capital Assets, Net of Depreciation							
	Governmental Activities		Business-Type Activities		Total School District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2006	2005	2006	2005	2006	2005	2005-06	
Land	\$ 14,204	14,204	0	0	14,204	14,204	0.00%	
Construction in progress	3,084,154	1,731,185	0	0	3,084,154	1,731,185	43.87%	
Buildings	3,065,401	3,168,333	0	0	3,065,401	3,168,333	-3.36%	
Machinery and equipment	106,938	83,466	84,122	13,554	191,060	97,020	49.22%	
Total	\$ 6,270,697	4,997,188	84,122	13,554	6,354,819	5,010,742	21.15%	

Long-Term Debt

At June 30, 2006, the District had \$4,140,254 in general obligation and other long-term debt outstanding. This represents a decrease of 5.6% from last year. (See Figure A-7) More detailed

information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$3,180,000 at June 30, 2006.

The District had total outstanding Revenue Bonds payable of \$685,000 at June 30, 2006.

The District had total outstanding Capital Leases payable from the General and Capital Projects Fund of \$71,462 at June 30, 2006.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$192,749 at June 30, 2006.

The District had total outstanding Compensated Absences payable from the General Fund of \$11,043 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
General Obligation Bonds	\$ 3,180,000	3,395,000	-6.3%
Revenue Bonds	685,000	750,000	-8.7%
Computer Leases	71,462	78,646	-9.1%
Early Retirement	192,749	159,036	21.2%
Compensated Absences	11,043	5,192	112.7%
Totals	\$ 4,140,254	4,387,874	-5.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Torrence, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3rd Street, Woodward, Iowa, 50276.

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,844,604	0	1,844,604
Other	1,270,211	508	1,270,719
Receivables:			
Property tax:			
Delinquent	25,244	0	25,244
Succeeding year	2,577,166	0	2,577,166
Income surtax	221,666	0	221,666
Interfund	40,001	0	40,001
Accounts	2,619	0	2,619
Accrued ISCAP interest (Note 5)	12,961	0	12,961
Due from other governments	784,265	0	784,265
Inventories	0	1,958	1,958
Capital assets, net of accumulated depreciation (Note 6)	6,270,697	84,122	6,354,819
Total Assets	13,049,434	86,588	13,136,022
Liabilities			
Interfund payable	0	40,001	40,001
Accounts payable	413,989	0	413,989
Salaries and benefits payable	655,978	21,543	677,521
ISCAP warrants payable (Note 5)	1,844,000	0	1,844,000
ISCAP accrued interest payable (Note 5)	11,744	0	11,744
ISCAP unamortized premiums payable	13,147	0	13,147
Accrued interest payable	14,368	0	14,368
Deferred revenue:			
Succeeding year property tax	2,577,166	0	2,577,166
Other	49,088	0	49,088
Unearned revenue	0	5,331	5,331
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	225,000	0	225,000
Revenue bonds payable	165,000	0	165,000
Computer lease payable	54,942	0	54,942
Early retirement payable	28,000	0	28,000
Compensated absences	11,043	0	11,043
Portion due after one year:			
General obligation bonds payable	2,955,000	0	2,955,000
Revenue bonds payable	520,000	0	520,000
Computer lease payable	16,520	0	16,520
Early retirement payable	164,749	0	164,749
Total Liabilities	9,719,734	66,875	9,786,609
Net Assets			
Investment in capital assets, net of related debt	2,971,088	84,122	3,055,210
Restricted for:			
Talanted and gifted	4,955	0	4,955
Salary improvement program	20,088	0	20,088
Physical plant and equipment levy	63,098	0	63,098
Other special revenue purposes	127,988	0	127,988
Unrestricted	142,483	(64,409)	78,074
Total Net Assets	\$ 3,329,700	19,713	3,349,413

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,727,888	945,845	672,628	0	(1,109,215)	0	(1,109,215)
Special instruction	2,801,438	1,423,835	37,726	0	(1,339,877)	0	(1,339,877)
Other instruction	639,858	236,857	0	0	(403,001)	0	(403,001)
	6,169,184	2,606,537	710,554	0	(2,852,093)	0	(2,852,093)
Support services:							
Student services	174,905	0	0	0	(174,905)	0	(174,905)
Instructional staff services	260,762	0	0	0	(260,762)	0	(260,762)
Administration services	997,155	0	0	0	(997,155)	0	(997,155)
Operation and maintenance of plant services	519,518	0	0	0	(519,518)	0	(519,518)
Transportation services	357,782	0	41,640	0	(316,142)	0	(316,142)
	2,310,122	0	41,640	0	(2,268,482)	0	(2,268,482)
Other expenditures:							
Facilities acquisitions	133,948	0	0	3,418	(130,530)	0	(130,530)
Long-term debt interest	164,904	0	0	0	(164,904)	0	(164,904)
AEA flowthrough	206,218	0	206,218	0	0	0	0
Depreciation(unallocated)*	102,932	0	0	0	(102,932)	0	(102,932)
	608,002	0	206,218	3,418	(398,366)	0	(398,366)
Total governmental activities	9,087,308	2,606,537	958,412	3,418	(5,518,941)	0	(5,518,941)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	269,789	174,237	75,821	0	0	(19,731)	(19,731)
Total business-type activities	269,789	174,237	75,821	0	0	(19,731)	(19,731)
Total	\$ 9,357,097	2,780,774	1,034,233	3,418	(5,518,941)	(19,731)	(5,538,672)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,120,261	0	2,120,261
Capital outlay					45,694	0	45,694
Debt service					355,724	0	355,724
Local option sales and services tax					449,133	0	449,133
Unrestricted state grants					2,637,747	0	2,637,747
Unrestricted investment earnings					124,876	0	124,876
Other					4,514	0	4,514
Total general revenues					5,737,949	0	5,737,949
Changes in net assets					219,008	(19,731)	199,277
Other Financing Sources:							
Capital contributions					0	79,360	79,360
Changes in net assets					219,008	59,629	278,637
Net assets beginning of year					3,110,692	(39,916)	3,070,776
Net assets end of year					\$ 3,329,700	19,713	3,349,413

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD--GRANGER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,844,604	0	0	1,844,604
Other	476,641	392,741	400,829	1,270,211
Receivables:				
Property tax:				
Delinquent	19,201	0	6,043	25,244
Succeeding year	1,991,172	0	585,994	2,577,166
Income surtax	221,666	0	0	221,666
Interfund	40,001	0	0	40,001
Accounts	2,619	0	0	2,619
Accrued ISCAP interest(Note 5)	12,961	0	0	12,961
Due from other governments	707,634	76,631	0	784,265
Total Assets	\$ 5,316,499	469,372	992,866	6,778,737
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 412,989	0	1,000	413,989
Salaries and benefits payable	655,978	0	0	655,978
ISCAP warrants payable(Note 5)	1,844,000	0	0	1,844,000
ISCAP accrued interest payable(Note 5)	11,744	0	0	11,744
ISCAP unamortized premiums payable	13,147	0	0	13,147
Deferred revenue:				
Succeeding year property tax	1,991,172	0	585,994	2,577,166
Income surtax	221,666	0	0	221,666
Other	49,088	0	0	49,088
Total liabilities	5,199,784	0	586,994	5,786,778
Fund balances:				
Reserved for:				
Debt service	0	0	178,325	178,325
Talanted and gifted	4,955	0	0	4,955
Salary improvement program	20,088	0	0	20,088
Unreserved	91,672	469,372	227,547	788,591
Total fund balances	116,715	469,372	405,872	991,959
Total Liabilities and Fund Balances	\$ 5,316,499	469,372	992,866	6,778,737

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 991,959
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,270,697
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	221,666
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as liability in the governmental funds.	(14,368)
Long-term liabilities, including general obligation bonds payable, capital loan notes payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,140,254)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 3,329,700</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,986,059	449,133	535,620	2,970,812
Tuition	2,369,680	0	0	2,369,680
Other	160,250	27,306	179,670	367,226
State sources	3,201,767	0	0	3,201,767
Federal sources	388,899	0	3,418	392,317
Total revenues	8,106,655	476,439	718,708	9,301,802
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,659,563	0	12,903	2,672,466
Special instruction	2,804,889	0	0	2,804,889
Other instruction	473,254	0	166,604	639,858
	5,937,706	0	179,507	6,117,213
Support services:				
Student services	181,587	0	0	181,587
Instructional staff services	251,380	0	0	251,380
Administration services	889,013	66,687	42,118	997,818
Operation and maintenance of plant services	438,879	0	79,695	518,574
Transportation services	287,730	58,181	10,807	356,718
	2,048,589	124,868	132,620	2,306,077
Other expenditures:				
Facilities acquisitions	0	1,463,628	23,289	1,486,917
Long-term debt:				
Principal	0	0	336,864	336,864
Interest	0	0	163,341	163,341
AEA flowthrough	206,218	0	0	206,218
	206,218	1,463,628	523,494	2,193,340
Total expenditures	8,192,513	1,588,496	835,621	10,616,630
Excess(deficiency) of revenues over(under) expenditures	(85,858)	(1,112,057)	(116,913)	(1,314,828)
Other financing sources(uses):				
Sale of equipment	4,514	0	0	4,514
Transfers in	0	0	240,015	240,015
Transfers out	(3,789)	(228,185)	(8,041)	(240,015)
Total other financing sources(uses)	725	(228,185)	231,974	4,514
Net change in fund balances	(85,133)	(1,340,242)	115,061	(1,310,314)
Fund balance beginning of year	201,848	1,809,614	290,811	2,302,273
Fund balance end of year	\$ 116,715	469,372	405,872	991,959

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit F

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (1,310,314)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,424,950	
Depreciation expense	<u>(151,441)</u>	1,273,509

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 287,184

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,563)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (33,713)	
Compensated Absences	(5,851)	
ISEBA Assessment	<u>9,756</u>	<u>(29,808)</u>

Changes in net assets of governmental activities (page 14) \$ 219,008

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 508
Inventories	1,958
Capital assets, net of accumulated depreciation(Note 6)	<u>84,122</u>
Total Assets	<u>86,588</u>
Liabilities	
Interfund payable	40,001
Salaries and benefits payable	21,543
Unearned revenue	<u>5,331</u>
Total Liabilities	<u>66,875</u>
Net Assets	
Investment in capital assets	84,122
Unrestricted	<u>(64,409)</u>
Total Net Assets	<u>\$ 19,713</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 174,237
TOTAL OPERATING REVENUES	<u>174,237</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	94,891
Benefits	46,717
Services	1,715
Supplies	117,674
Depreciation	8,792
TOTAL OPERATING EXPENSES	<u>269,789</u>
OPERATING LOSS	<u>(95,552)</u>
NON-OPERATING REVENUES:	
State sources	2,938
Federal sources	72,883
TOTAL NON-OPERATING REVENUES	<u>75,821</u>
Change in net assets before capital contributions	(19,731)
OTHER FINANCING SOURCES:	
Capital contributions	<u>79,360</u>
Change in net assets	59,629
Net assets beginning of year	<u>(39,916)</u>
Net assets end of year	<u>\$ 19,713</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 174,203
Cash received from miscellaneous operating activities	2
Cash payments to employees for services	(139,803)
Cash payments to suppliers for goods or services	(108,356)
Net cash used in operating activities	<u>(73,954)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	5,846
State grants received	2,938
Federal grants received	61,469
Net cash provided by non-capital financing activities	<u>70,253</u>
Net decrease in cash and cash equivalents	(3,701)
Cash and cash equivalents at beginning of year	<u>4,209</u>
Cash and cash equivalents at end of year	<u>\$ 508</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (95,552)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,414
Depreciation	8,792
Increase in inventories	(381)
Increase in salaries and benefits payable	1,805
Decrease in unearned revenue	(32)
Net cash used in operating activities	<u>\$ (73,954)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 508</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$11,414.

During the year ended June 30, 2006, the District received capital contributions valued at \$79,360

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2006

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 31,197</u>
Liabilities	
Accounts payable	\$ 31,064
Due to other groups	<u>133</u>
Total Liabilities	<u>\$ 31,197</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Woodward-Granger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Woodward and Granger, Iowa, and the predominate agricultural territory in Dallas, Polk, and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Woodward-Granger Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Woodward-Granger Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas, Polk, and Boone Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in all functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 286,335</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue, Physical Plant and Equipment Levy	Special Revenue, Schoolhouse 67.5	\$ 8,041
Debt Service	Capital Projects	228,185
Debt Service	General	<u>3,789</u>
Total		<u>\$ 240,015</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due from and Due to Other Funds

At June 30, 2006 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nutrition Fund	<u>\$ 40,001</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	\$ 651,265	12,590	649,000	11,440
2006-07A	6/28/06	6/28/07	1,193,339	371	1,195,000	304
Total			<u>\$ 1,844,604</u>	<u>12,961</u>	<u>1,844,000</u>	<u>11,744</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	200,000	200,000	0
2005-06B	0	150,000	150,000	0
Total	<u>\$ 0</u>	<u>350,000</u>	<u>350,000</u>	<u>0</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.900%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,204	0	0	14,204
Construction in progress	1,731,185	1,352,969	0	3,084,154
Total capital assets not being depreciated	1,745,389	1,352,969	0	3,098,358
Capital assets being depreciated:				
Buildings	5,260,351	0	0	5,260,351
Machinery and equipment	302,759	71,981	0	374,740
Total capital assets being depreciated	5,563,110	71,981	0	5,635,091
Less accumulated depreciation for:				
Buildings	2,092,018	102,932	0	2,194,950
Machinery and equipment	219,293	48,509	0	267,802
Total accumulated depreciation	2,311,311	151,441	0	2,462,752
Total capital assets being depreciated, net	3,251,799	(79,460)	0	3,172,339
Governmental activities capital assets, net	\$ 4,997,188	1,273,509	0	6,270,697
Business-type activities:				
Machinery and equipment	\$ 54,100	79,360	0	133,460
Less accumulated depreciation	40,546	8,792	0	49,338
Business-type activities capital assets, net	\$ 13,554	70,568	0	84,122

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,038
Support services:	
Instructional staff services	9,382
Operation and maintenance of plant	1,330
Transportation	33,759
	48,509
Unallocated depreciation	102,932
Total governmental activities depreciation expense	\$ 151,441
Business-type activities:	
Food services	\$ 8,792
Total business-type activities depreciation expense	\$ 8,792

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,395,000	0	215,000	3,180,000	225,000
Revenue Bonds	750,000	0	65,000	685,000	165,000
Computer Leases	78,646	49,680	56,864	71,462	54,942
Early Retirement	159,036	83,161	49,448	192,749	28,000
Compensated Absences	5,192	11,043	5,192	11,043	11,043
Total	\$ 4,387,874	143,884	391,504	4,140,254	483,985

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2004			Bond Issue of July 1, 2004			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2007	1.90-2.10 %	\$ 225,000	14,060	5.00 %	\$ -	122,801	\$ 225,000	136,861	361,861
2008	2.30-2.50	225,000	9,278	5.00	-	122,800	225,000	132,078	357,078
2009	2.60-2.75	195,000	3,840	5.00	30,000	122,801	225,000	126,641	351,641
2010	-	-	-	5.00	120,000	121,301	120,000	121,301	241,301
2011	-	-	-	5.00	125,000	115,300	125,000	115,300	240,300
2012-2016	-	-	-	4.125-5.00	715,000	479,186	715,000	479,186	1,194,186
2017-2021	-	-	-	4.370-5.00	900,000	299,210	900,000	299,210	1,199,210
2022-2024	-	-	-	5.00	645,000	65,500	645,000	65,500	710,500
Total		\$ 645,000	27,178		\$ 2,535,000	1,448,899	\$ 3,180,000	1,476,077	4,656,077

Revenue Bonds Payable

Details of the District's June 30, 2006 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue dated June 1, 2005			
	Interest Rate	Principal	Interest	Total
2007	3.00 %	\$ 165,000	22,133	187,133
2008	3.15	165,000	17,182	182,182
2009	3.30	175,000	11,985	186,985
2010	3.45	180,000	6,210	186,210
Total		\$ 685,000	57,510	742,510

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$75,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Computer Leases Payable

During the year ended June 30, 2005, the District entered into two computer leases with Apple Computer, Inc. for computers and networking components. The networking components lease is payable from the General Fund and the remainder of the computer lease is payable from the Capital Projects, Local Option Sales and Services Tax Fund. During the year ended June 30, 2006 the District entered into a computer lease with Apple Computer, Inc. for computers which is payable from the Capital Projects, Local Option Sales and Services Tax Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2006 are as follows:

Year Ending June 30,	Computer Lease			Computer Lease		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	1.90 %	\$ 36,256	681	8.94 %	\$ 15,162	2,836
2008		0	0	8.94	16,520	1,478
Total		<u>\$ 36,256</u>	<u>681</u>		<u>\$ 31,682</u>	<u>4,314</u>

Networking Components Lease			Total		
Interest Rates	Principal	Interest	Principal	Interest	Total
7.50 %	\$ 3,524	265	\$ 54,942	3,782	58,724
	0	0	16,520	1,478	17,998
	\$ 3,524	265	\$ 71,462	5,260	76,722

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed \$4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2006, totaled \$49,448. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Advance Refunding

On May 1, 2004, the District issued refunding bonds in the amount of \$1,070,000 to advance refund \$1,050,000 of outstanding general obligation bonds. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and all interest on the new advance refunding bonds added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is unable to pay the refunded bonds. At June 30, 2006, \$665,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$195,000 and \$39,445.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30,

2006, 2005 and 2004 were \$237,756, \$206,816 and \$201,067 respectively, equal to the required contributions for each year.

(10) Risk Management

Woodward-Granger Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$206,218 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Net Assets

The Enterprise - School Nutrition Fund had deficit unrestricted net assets of \$64,409 at June 30, 2006.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in all functions exceeded the amounts budgeted.

(14) Construction Commitment

The District has entered into various general contracts totaling \$3,216,269 for the renovations and additions of the Woodward Elementary. As of June 30, 2006, costs of \$3,084,154 had been incurred against the contracts. The balance of \$132,115 remaining at June 30, 2006 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,707,718	174,237	5,881,955	4,774,418	4,774,418	1,107,537
State sources	3,201,767	2,938	3,204,705	3,593,622	3,593,622	(388,917)
Federal sources	392,317	72,883	465,200	374,200	374,200	91,000
Total revenues	9,301,802	250,058	9,551,860	8,742,240	8,742,240	809,620
Expenditures:						
Instruction	6,117,213	0	6,117,213	5,493,399	5,493,399	(623,814)
Support services	2,306,077	0	2,306,077	1,886,000	1,886,000	(420,077)
Non-instructional programs	0	269,789	269,789	230,000	230,000	(39,789)
Other expenditures	2,193,340	0	2,193,340	1,674,465	1,674,465	(518,875)
Total expenditures	10,616,630	269,789	10,886,419	9,283,864	9,283,864	(1,602,555)
Excess(deficiency) of revenues over(under) expenditures	(1,314,828)	(19,731)	(1,334,559)	(541,624)	(541,624)	(792,935)
Other financing sources, net	4,514	79,360	83,874	0	0	83,874
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(1,310,314)	59,629	(1,250,685)	(541,624)	(541,624)	(709,061)
Balance beginning of year	2,302,273	(39,916)	2,262,357	1,157,381	1,157,381	1,104,976
Balance end of year	\$ 991,959	19,713	1,011,672	615,757	615,757	395,915

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in all functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets							
Cash and pooled investments	\$ 35,932	86,789	62,592	41,199	226,512	174,317	400,829
Receivables:							
Property tax:							
Current year delinquent	1,529	0	506	0	2,035	4,008	6,043
Succeeding year	175,000	0	49,133	0	224,133	361,861	585,994
Total Assets	\$ 212,461	86,789	112,231	41,199	452,680	540,186	992,866
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 1,000	0	0	0	1,000	0	1,000
Deferred revenue:							
Succeeding year property tax	175,000	0	49,133	0	224,133	361,861	585,994
	176,000	0	49,133	0	225,133	361,861	586,994
Fund balances:							
Reserved:							
Debt service	0	0	0	0	0	178,325	178,325
Unreserved	36,461	86,789	63,098	41,199	227,547	0	227,547
Total fund balances	36,461	86,789	63,098	41,199	227,547	178,325	405,872
Total Liabilities and Fund Balances	\$ 212,461	86,789	112,231	41,199	452,680	540,186	992,866

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	School- house 67.5	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 134,202	0	0	45,694	0	179,896	355,724
Other	0	176,049	0	0	0	176,049	3,621
Federal sources	0	0	0	3,418	0	3,418	0
TOTAL REVENUES	134,202	176,049	0	49,112	0	359,363	359,345
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	0	0	0	12,903	0	12,903	0
Other instruction	0	163,554	0	0	3,050	166,604	0
Support services:							
Administration services	40,568	0	0	0	0	40,568	1,550
Operation and maintenance of plant services	69,188	0	0	10,507	0	79,695	0
Student transportation	10,807	0	0	0	0	10,807	0
Other expenditures:							
Facilities acquisitions	0	0	0	23,289	0	23,289	0
Long-term debt:							
Principal	0	0	0	0	0	0	336,864
Interest	0	0	0	0	0	0	163,341
TOTAL EXPENDITURES	120,563	163,554	0	46,699	3,050	333,866	501,755
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	13,639	12,495	0	2,413	(3,050)	25,497	(142,410)
OTHER FINANCING SOURCES(USES):							
Transfer in	0	0	0	8,041	0	8,041	231,974
Transfer out	0	0	(8,041)	0	0	(8,041)	0
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(8,041)	8,041	0	0	231,974
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	13,639	12,495	(8,041)	10,454	(3,050)	25,497	89,564
FUND BALANCE BEGINNING OF YEAR	22,822	74,294	8,041	52,644	44,249	202,050	88,761
FUND BALANCE END OF YEAR	\$ 36,461	86,789	0	63,098	41,199	227,547	178,325

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Accounts:				
HS Athletics	\$ 2,984	37,450	19,910	20,524
HS Concessions	141	12	0	153
JH Football	0	540	540	0
JH Volleyball	0	360	360	0
JH Boys Basketball	0	1,223	1,223	0
JH Girls' Basketball	0	600	600	0
JH Wrestling	0	150	150	0
JH Boys' Track	0	157	157	0
JH Girls' Track	0	157	157	0
JH Concessions	97	12	1	108
HS Girls' Volleyball	2,105	(845)	1,260	0
HS Girls' Basketball	2,651	(1,682)	969	0
HS Girls' Track	0	550	550	0
HS Girls' Softball	2,455	2,554	3,021	1,988
HS Football	3,982	625	4,607	0
HS Boys' Basketball	3,924	(2,213)	1,711	0
HS Wrestling	1,575	3,557	5,132	0
HS Boys' Track	0	565	565	0
HS Golf	750	(570)	180	0
HS Baseball	1,518	1,220	1,790	948
	22,182	44,422	42,883	23,721
Athletic Fundraiser:				
JH Boys' Basketball	129	0	0	129
JH Football	253	0	0	253
JH Girls' Basketball	(243)	624	0	381
JH Volleyball	209	0	0	209
Baseball	2,703	11,201	9,547	4,357
Girls' and Boys' Golf	29	0	0	29
HS Boys' Track	(158)	2,536	2,166	212
HS Boys' Basketball	284	1,895	1,286	893
HS Cross Country	2	0	0	2
HS Football	1,255	6,910	7,450	715
HS Girls' Track	189	(157)	0	32
HS Girls' Basketball	2,291	85	2,445	(69)
HS Girls' Softball	100	0	0	100
HS Girls' Volleyball	3,126	2,743	2,248	3,621
Weightlifting	28	0	0	28
Wrestling HS	987	2,944	2,552	1,379
Elementary Girls Basketball	0	688	0	688
	11,184	29,469	27,694	12,959

Schedule 3

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities Accounts:				
Petty Cash	75	0	0	75
Change	400	0	0	400
Yearbook	1,866	3,078	1,500	3,444
2003-04 Yearbook	309	12	0	321
Tri-M Fundraiser	0	781	42	739
HS Cheerleaders	376	5,054	3,183	2,247
Grounds Beautification	341	12	0	353
Class of 2005	402	225	583	44
Class of 2006	5,078	2,966	7,569	475
Class of 2007	4,494	14,350	16,758	2,086
Class of 2008	42	9,347	3,491	5,898
Class of 2009	0	844	177	667
Concession Stand	1,444	48	0	1,492
Drama	3,137	1,312	1,381	3,068
Drama Club	256	219	0	475
Book Orders	(29)	1,757	1,728	0
Field Trips	(175)	6,285	6,110	0
Clearing	0	5,490	5,490	0
Art Fundraiser	1,449	4,864	4,853	1,460
Band and Chorus	4,712	9,804	9,295	5,221
Elementary Fundraiser	1,545	2,044	2,585	1,004
Flag Team Fundraiser	303	12	0	315
Interest	684	(684)	0	0
MS Student Council	2,894	1,258	2,699	1,453
MS Cheerleaders	188	111	86	213
Grandwood Fundraiser	(1,046)	9,301	8,186	69
TAG Fundraiser	210	12	0	222
Miscellaneous	365	12	196	181
Emergency Fund	512	24	1	535
HS Student Council	657	6,982	5,457	2,182
W-G Planners	230	42	0	272
Spanish Club	1,238	108	0	1,346
MS Science Fundraiser	(90)	977	804	83
Jazz Festival	1,691	9,565	8,114	3,142
Marketing Fundraiser	664	763	449	978
HS Dance Team	175	1,414	514	1,075
HS Fundraiser	1,540	1,326	38	2,828
MS Fundraiser	1,831	632	149	2,314
History Club	703	0	912	(209)
Washington DC Trip	1,359	48	0	1,407
Industrial Arts	1,098	1,763	627	2,234
	40,928	102,158	92,977	50,109
Total	\$ 74,294	176,049	163,554	86,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Local Option Sales and Service Tax</u>				
ASSETS				
Cash and pooled investments	\$ 27,938	200,609	197,483	31,064
Accounts receivable	23,077	0	23,077	0
	<u>\$ 51,015</u>	<u>200,609</u>	<u>220,560</u>	<u>31,064</u>
LIABILITIES				
Accounts payable	\$ 51,015	200,609	220,560	31,064
Due to other groups	23,077	0	23,077	0
	<u>\$ 74,092</u>	<u>200,609</u>	<u>243,637</u>	<u>31,064</u>
<u>Teacher Pop</u>				
Cash and pooled investments	\$ 1,305	718	1,890	133
LIABILITIES				
Due to other groups	\$ 1,305	718	1,890	133
	<u>\$ 1,305</u>	<u>718</u>	<u>1,890</u>	<u>133</u>
<u>Scholarship</u>				
Cash and pooled investments	\$ 2,110	0	2,110	0
LIABILITIES				
Due to other groups	\$ 2,110	0	2,110	0
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 31,353	201,327	201,483	31,197
Accounts receivable	23,077	0	23,077	0
	<u>\$ 54,430</u>	<u>201,327</u>	<u>224,560</u>	<u>31,197</u>
LIABILITIES				
Accounts payable	\$ 51,015	200,609	220,560	31,064
Due to other groups	26,492	718	27,077	133
	<u>\$ 77,507</u>	<u>201,327</u>	<u>247,637</u>	<u>31,197</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	2,970,812	2,866,489	2,485,726	2,185,352
Tuition		2,369,680	2,367,322	1,416,833	1,389,836
Other		367,226	321,089	271,143	297,421
State sources		3,201,767	3,034,280	2,512,232	2,633,980
Federal sources		392,317	371,799	344,294	284,470
Total	\$	9,301,802	8,960,979	7,030,228	6,791,059
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	2,672,466	2,492,078	2,537,706	2,357,986
Special instruction		2,804,889	2,832,695	1,930,535	1,806,257
Other instruction		639,858	618,314	416,418	428,947
Support services:					
Student services		181,587	222,986	214,108	229,148
Instructional staff services		251,380	182,376	157,706	230,269
Administration services		997,818	688,281	675,188	694,672
Operation and maintenance of plant services		518,574	429,979	472,061	373,353
Transportation services		356,718	248,768	203,210	185,966
Non-instructional programs		0	0	0	70
Other expenditures:					
Facilities acquisitions		1,486,917	1,877,531	199,688	94,283
Long-term debt:					
Principal		336,864	304,313	235,000	234,531
Interest		163,341	151,545	76,235	75,566
AEA flow-through		206,218	193,002	184,489	198,188
Total	\$	10,616,630	10,241,868	7,302,344	6,909,236

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 06	\$ 11,414
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	8,974
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	52,495
			<u>61,469</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7110-G	32,109
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7110-D	223,513
			<u>255,622</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	852
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	318
			<u>1,170</u>
COMPREHENSIVE SCHOOL REFORM	84.332	FY 05	49,072
COMPREHENSIVE SCHOOL REFORM	84.332	FY 06	61,777
			<u>110,849</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	11,424
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 06	21,222
			<u>32,646</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 05	2,721
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 06	4,852
			<u>7,573</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 06	<u>37,726</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>7,380</u>
IOWA PUBLIC TELEVISION:			
STAR SCHOOLS	84.203	FY 06	<u>121</u>
DEPARTMENT OF DEFENSE:			
FLOOD CONTROL PROJECTS	12.106	FY 06	<u>3,418</u>
TOTAL			<u>\$ 529,388</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Woodward-Granger Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Woodward-Granger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Woodward-Granger Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodward-Granger Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Woodward-Granger Community School District and other parties to whom Woodward-Granger Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Woodward-Granger Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 30, 2006

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of the
Woodward-Granger Community School District:

Compliance

We have audited the compliance of Woodward-Granger Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Woodward-Granger Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Woodward-Granger Community School District's management. Our responsibility is to express an opinion on Woodward-Granger Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Woodward-Granger Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Woodward-Granger Community School District's compliance with those requirements.

In our opinion, Woodward-Granger Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Woodward-Granger Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in

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our judgment, could adversely affect Woodward-Granger Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-06 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Woodward-Granger Community School District and other parties to whom Woodward-Granger Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

October 30, 2006

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Report

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Woodward-Granger Community School District did not qualify as a low-risk auditee.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will review our procedures for collecting gate admissions.

Conclusion - Response accepted.

II-C-06 Student Activity Fund - We noted during our audit that the Student Activity fund included a change, a petty cash and a miscellaneous account.

Recommendation - The interest earned each year should be allocated at least on an annual basis to the individual activity accounts. The miscellaneous account should be closed and moved to a legitimate student run organization or moved to the General fund. The change and petty cash accounts should be closed and have the money taken out of the student activity account in which the funds are being used.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-D-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Old outstanding checks should be reviewed and reissued, voided if subsequently paid, and any remaining should be reported to the Iowa Treasury Department for the "Great Iowa Treasure Hunt."

Response - We will review and resolve the old outstanding checks.

Conclusion - Response accepted.

- II-E-06 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We are working on this.

Conclusion - Response accepted.

- II-F-06 Early Retirement - The District's employee retirement policy stipulates that any employee over the age of 55 as of June 30 of that school year can elect to take early retirement. The District's early retirement policy is compliant with Chapter 279.46 of the Code of Iowa; however, the District has allowed an employee to take early retirement even though they were not fifty-five years of age until the next school year had already started. This is a violation of the District's Board approved early retirement policy.

Recommendation - The district may allow the early retirement as an exception to the policy, however, the District may not use management funds to pay for the early retirement benefits of this employee as it is not in compliance with Chapter 279.46 of the Code of Iowa. We recommend that the District pay for the benefits from the General Fund or make corrective transfers from the General Fund to the Special Revenue, Management Fund in the amount of the early retirement benefits for this individual which is \$4,000 per year for ten years.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2006
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies
Federal Award Year: 2006
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

III-B-06 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We are working on this.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in all functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget correctly in the future if necessary.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Blaser, Bus Driver Owner of Blaser Electric	Electrical work	\$2,301
Bernard Bunk, Bus Driver Owner of Bernard's	Repairs	\$87,844

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employees do not appear to represent a conflict of interest.

IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within two weeks.

Conclusion - Response accepted.

IV-G-06 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 9 of the Certified Enrollment Certification Form for September 2005 was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will look into this matter and resolve any issues that arise.

Conclusion - Response accepted.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-06 Financial Condition - The District had deficit unrestricted net assets of \$64,409 in the Enterprise-School Nutrition Fund. The District also had negative account balances within the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will monitor the deficit funds and accounts and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.